

## **Historic, Archive Document**

Do not assume content reflects current scientific knowledge, policies, or practices.





# FACT SHEET

Nelson

## Commodity Credit Corporation

What It Is and How It Works

United States Department of Agriculture • Agricultural Stabilization and Conservation Service

March 1982

### WHAT IS THE CCC?

For half a century, the Commodity Credit Corporation has been agriculture's "bank" -- the Federal government's financing arm for an array of domestic and international farm programs. It has had an impact on every producer who has received a price support payment or loan, on every organization that has received a commodity donation, and on every banker or foreign government that has received a loan guarantee or line of credit for export sales. Here's a closer look at the CCC and how it operates.

### A GOVERNMENT CORPORATION

The Commodity Credit Corporation is a government-owned and operated corporation created in 1933 to help stabilize and support farm prices and income, and to help maintain balanced supplies and the orderly distribution of agricultural commodities. Its operations for the Department of Agriculture include commodity price support and inventory management programs, donations and sales of government-owned stocks for humanitarian or commercial uses, and foreign market development and export credit programs.

### ORGANIZATION

The Corporation is managed by an eight-member Board of Directors headed by the Secretary of Agriculture and appointed by the President. All members of the board, as well as the Corporation's 16 officers, are officials of the Department of Agriculture and its agencies.

The CCC has no operating personnel of its own. Its price support, storage and reserve programs, and its domestic acquisition and disposal activities for price support commodities are carried out entirely by the Agricultural Stabilization and Conservation Service through its Washington and field offices. Market development programs, foreign assistance, and export sales of most CCC-controlled stocks are handled by the Foreign Agricultural Service.

In addition, the Corporation's officers work with numerous other government agencies and private organizations to dispose of surplus commodities. The CCC uses customary private trade channels -- such as commercial banks, growers' organizations, cooperatives, warehouses, and exporters -- as much as possible to carry out its operations.

### PROGRAM FINANCING

Normally, federal agencies receive an appropriation of funds at the beginning of each fiscal year, which they may then spend to carry out their programs. However, the CCC cannot operate this way because it is impossible to know in advance how much

PROGRAM  
FINANCING,  
CONT'D

money will be needed for loans or payments to farmers or for other support activities.

Consequently, the CCC finances its programs primarily by borrowing money from the U.S. Treasury. Although its charter authorizes the Corporation to borrow up to \$25 billion, the amount that may be outstanding at any one time is currently limited by statute to \$20 billion. The CCC pays interest to the Treasury on the amount borrowed and, in turn, sets interest rates on its loans to producers and others based on what it is charged by the Treasury.

Receipts from sales of commodities, loan repayments, and interest payments on loans are also used to finance CCC programs.

A REVOLVING  
FUND

The CCC maintains a checking account with the Treasury that is used for making payments and depositing receipts of funds. Federal Reserve Banks act as agents for the Corporation in handling these transactions. Briefly, here's how the system works:

ASCS county offices make price support loans or payments to farmers by issuing sight drafts, or checks, payable on behalf of the CCC. When farmers deposit the sight drafts in their local banks, the drafts are forwarded through the banking system to the Federal Reserve Bank in Kansas City, which pays the drafts for the CCC and gets reimbursed by charging the CCC's account with the Treasury.

When farmers repay their loans, county offices send the funds to a Federal Reserve Bank for deposit to the Corporation's account. Each day, Federal Reserve Banks report the total amount of deposits and payments they have made for the CCC to ASCS' Fiscal Division, which keeps a daily tally of the CCC's financial position.

The Corporation's account with the Treasury is, in effect, a "revolving fund." All receipts are credited daily to the CCC's account, reducing its debt to the Treasury and replenishing its borrowing authority. The CCC may reuse this money as soon as it is credited to the Corporation's account.

By agreement with the Treasury, the CCC maintains a minimum balance of \$1 million in the account. Each day the Corporation either borrows funds to deposit in the account if the balance falls below \$1 million, or takes funds out of the account and repays its borrowings if the balance rises above \$2 million.

PROFITS AND  
LOSSES

Each year the CCC submits a profit and loss statement of its activities to the Congress, which appropriates funds to reimburse the Corporation for program costs and losses incurred in prior years. These reimbursements are used to repay loans from the Treasury, thereby restoring the CCC's borrowing authority.

#####

USDA  
NAT'L AGRIC LIBRARY  
2001 AUG 16 A 11:50  
CURRENT SERIAL RECORDS  
ACC/SERIALS BRANCH